BANKING UNION
Relevant European Council conclusions
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1 Banking Union - Relevant European Council conclusions
I. Euro Area Summit Statement - 29 June 2012

EURO AREA SUMMIT STATEMENT
- 29 June 2012 -

- We affirm that it is imperative to break the vicious circle between banks and sovereigns. The Commission will present Proposals on the basis of Article 127(6) for a single supervisory mechanism shortly. We ask the Council to consider these Proposals as a matter of urgency by the end of 2012. When an effective single supervisory mechanism is established, involving the ECB, for banks in the euro area the ESM could, following a regular decision, have the possibility to recapitalize banks directly. This would rely on appropriate conditionality, including compliance with state aid rules, which should be institution-specific, sector-specific or economy-wide and would be formalised in a Memorandum of Understanding. The Eurogroup will examine the situation of the Irish financial sector with the view of further improving the sustainability of the well-performing adjustment programme. Similar cases will be treated equally.

- We urge the rapid conclusion of the Memorandum of Understanding attached to the financial support to Spain for recapitalisation of its banking sector. We reaffirm that the financial assistance will be provided by the EFSF until the ESM becomes available, and that it will then be transferred to the ESM, without gaining seniority status.

- We affirm our strong commitment to do what is necessary to ensure the financial stability of the euro area, in particular by using the existing EFSF/ESM instruments in a flexible and efficient manner in order to stabilise markets for Member States respecting their Country Specific Recommendations and their other commitments including their respective timelines, under the European Semester, the Stability and Growth Pact and the Macroeconomic Imbalances Procedure. These conditions should be reflected in a Memorandum of Understanding. We welcome that the ECB has agreed to serve as an agent to EFSF/ESM in conducting market operations in an effective and efficient manner.

- We task the Eurogroup to implement these decisions by 9 July 2012.
II. European Council - Brussels - 28-29 June 2012 - Conclusions

(extract - Report on EMU - EUCO 76/12)

II. REPORT ON EMU

4. The report "Towards a Genuine Economic and Monetary Union" presented by the President of the European Council, in cooperation with the Presidents of the Commission, Eurogroup and ECB, sets out "four essential building blocks" for the future EMU: an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework and strengthened democratic legitimacy and accountability.

Following an open exchange of views, where various opinions were expressed, the President of the European Council was invited to develop, in close collaboration with the President of the Commission, the President of the Eurogroup and the President of the ECB, a specific and time-bound road map for the achievement of a genuine Economic and Monetary Union, which will include concrete proposals on preserving the unity and integrity of the Single Market in financial services and which will take account of the Euro Area statement and, inter alia, of the intention of the Commission to bring forward proposals under Article 127.

They will examine what can be done within the current Treaties and which measures would require Treaty change. In order to ensure their ownership, Member States will be closely associated to the reflections and regularly consulted. There will also be consultations with the European Parliament. An interim report will be presented in October 2012 and a final report before the end of the year.
Integrated financial framework

6. We need to move towards an integrated financial framework, open to the extent possible to all Member States wishing to participate. In this context, the European Council invites the legislators to proceed with work on the legislative proposals on the Single Supervisory Mechanism (SSM) as a matter of priority, with the objective of agreeing on the legislative framework by 1 January 2013. Work on the operational implementation will take place in the course of 2013. In this respect, fully respecting the integrity of the Single Market is crucial.

7. There is a need to ensure a clear separation between ECB monetary policy and supervision functions, and the equitable treatment and representation of both euro and non-euro area Member States participating in the SSM. Accountability takes place at the level at which decisions are taken and implemented. The SSM will be based on the highest standards for bank supervision and the ECB will be able, in a differentiated way, to carry out direct supervision. It will also be in a position to use the effective powers conferred on it by the legislation as soon as it comes into force. In addition, it is of paramount importance to establish a single rulebook underpinning the centralised supervision.

8. It is important to ensure a level playing field between those Member States which take part in the SSM and those which do not, in full respect of the integrity of the single market in financial services. An acceptable and balanced solution is needed regarding changes to voting modalities and decisions under the European Banking Authority (EBA) Regulation, taking account of possible evolutions in the participation in the SSM, that ensures non-discriminatory and effective decision-making within the Single Market. On this basis, the EBA should retain its existing powers and responsibilities.

9. The European Council calls for the rapid adoption of the provisions relating to the harmonisation of national resolution and deposit guarantee frameworks based on the Commission's legislative proposals on bank recovery and resolution and on national deposit guarantee schemes. The European Council calls for the rapid conclusion of the single rule book, including agreement on the proposals on bank capital requirements (CRR/CRD IV) by the end of the year.
10. In all these matters, it is important to ensure a fair balance between home and host countries.

11. The European Council notes the Commission’s intention to propose a single resolution mechanism for Member States participating in the SSM once the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive have been adopted.

12. The Eurogroup will draw up the exact operational criteria that will guide direct bank recapitalisations by the European Stability Mechanism (ESM), in full respect of the 29 June 2012 euro area Summit statement. It is imperative to break the vicious circle between banks and sovereigns. When an effective single supervisory mechanism is established, involving the ECB, for banks in the euro area the ESM could, following a regular decision, have the possibility to recapitalize banks directly.
I. ECONOMIC POLICY

Roadmap for the completion of EMU

1. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity. Economic policies must be fully geared towards promoting strong, sustainable and inclusive economic growth, ensuring fiscal discipline, enhancing competitiveness and boosting employment, and in particular youth employment, in order for Europe to remain a highly competitive social market economy and to preserve the European social model.

2. The consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth-friendly and sound fiscal policies. While fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP.

3. Further to the interim report submitted in October 2012, the President of the European Council, in close collaboration with the Presidents of the Commission, the European Central Bank and the Eurogroup, has drawn up a specific and time-bound road map for the achievement of genuine Economic and Monetary Union. The European Council notes the "Blueprint" issued by the Commission which provides a comprehensive analysis of the relevant issues combined with an assessment of their legal aspects. It also notes the contributions made by the European Parliament. The European Council sets out the next steps in the process of completing EMU, based on deeper integration and reinforced solidarity for the euro area Member States.
4. The process of completing EMU will build on the EU’s institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected, including in the different legislative proposals which will be made. It is also important to ensure a level playing field between Member States which take part in the SSM and those which do not.

5. The immediate priority is to complete and implement the framework for stronger economic governance, including the "six-pack", the Treaty on Stability, Coordination and Governance (TSCG) and the "two-pack". Following the decisive progress achieved on the key elements of the "two-pack", the European Council calls for its rapid adoption by the co-legislators.

6. It is equally urgent to advance towards a more integrated financial framework, which will help restore normal lending, improve competitiveness and help bring about the necessary adjustment to our economies.

7. The Single Supervisory Mechanism constitutes a major qualitative step towards a more integrated financial framework. The European Council welcomes the agreement reached within the Council on 13 December and calls on the co-legislators to rapidly agree so as to allow its implementation as soon as possible. It also reiterates the importance of the new rules on capital requirements for banks (CRR/CRD), which are of the utmost priority so as to develop a single rule book, and calls on all parties to work towards their agreement and rapid adoption.

8. The European Council urges the co-legislators to agree on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive before June 2013; the Council for its part should reach agreement by the end of March 2013. Once adopted, these Directives should be implemented by the Member States as a matter of priority.

9. The European Council looks forward to the Commission’s rapid follow up to the proposals of the high level expert group on the structure of the EU banking sector.

10. It is imperative to break the vicious circle between banks and sovereigns. Further to the June 2012 euro area Summit statement and the October 2012 European Council conclusions, an operational framework, including the definition of legacy assets, should be agreed as soon as possible in the first semester of 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly. This will be done in full compliance with the Single Market.
11. In a context where bank supervision is effectively moved to a single supervisory mechanism, a single resolution mechanism will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools. Therefore, work on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive should be accelerated so that they can be adopted in line with paragraph 8. In these matters, it is important to ensure a fair balance between home and host countries. The Commission will submit in the course of 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises. The single resolution mechanism should be based on contributions by the financial sector itself and include appropriate and effective backstop arrangements. This backstop should be fiscally neutral over the medium term, by ensuring that public assistance is recouped by means of ex post levies on the financial industry.

12. In order for the EMU to ensure economic growth, competitiveness in the global context and employment in the EU and in particular in the euro area, a number of other important issues related to the coordination of economic policies and economic policy guidelines of the euro area will need to be further examined, including measures to promote the deepening of the Single Market and to protect its integrity. To this end, the President of the European Council, in close cooperation with the President of the Commission, after a process of consultations with the Member States, will present to the June 2013 European Council possible measures and a time-bound roadmap on the following issues:

   a) coordination of national reforms: the participating Member States will be invited to ensure, in line with Article 11 of the TSCG, that all major economic policy reforms that they plan to undertake will be discussed ex ante and, where appropriate, coordinated among themselves. Such coordination shall involve the institutions of the EU as required by EU law to this end. The Commission has announced its intention to make a proposal for a framework for ex ante coordination of major economic policy reforms in the context of the European Semester;

   b) the social dimension of the EMU, including social dialogue;
c) the feasibility and modalities of mutually agreed contracts for competitiveness and growth: individual arrangements of a contractual nature with EU institutions could enhance ownership and effectiveness. Such arrangements should be differentiated depending on Member States’ specific situations. This would engage all euro area Member States, but non-euro Member States may also choose to enter into similar arrangements;

d) solidarity mechanisms that can enhance the efforts made by the Member States that enter into such contractual arrangements for competitiveness and growth.

13. Governance within the euro area should be further improved, building on the TSCG and taking into account the euro area Summit statement of 26 October 2011. The euro area Heads of State or Government will be invited to adopt rules of procedure for their meetings at their meeting in March 2013, fully respecting Article 12.3 TSCG.

14. Throughout the process, the general objective remains to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability. At national level, moves towards further integration of the fiscal and economic policy frameworks would require that Member States ensure the appropriate involvement of their parliaments. Further integration of policy making and greater pooling of competences must be accompanied by a commensurate involvement of the European Parliament. New mechanisms increasing the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the TSCG and Protocol No 1 to the Treaties, can contribute to this process. The European Parliament and national parliaments will determine together the organisation and promotion of a conference of their representatives to discuss EMU related issues.
Deepening EMU

11. The European Council took stock of the ongoing work on the four strands identified in its conclusions of December 2012 on the deepening of EMU. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability.

12. Progress towards a more integrated financial framework is urgently needed to restore normal lending, improve competitiveness and help bring about the necessary economic adjustments. Further to the progress achieved on the new rules for banks' capital requirements, the remaining outstanding technical issues must be rapidly finalised in order to allow final agreement to be reached by the end of the month. Concluding the legislative process on the Single Supervisory Mechanism (SSM) within the coming weeks is a priority.

13. The European Council recalls that it is imperative to break the vicious circle between banks and sovereigns. As agreed in December 2012, an operational framework, including the definition of legacy assets, should be agreed as soon as possible in the first semester of 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly. Agreement must be reached on the Bank Recovery and Resolution Directive and Deposit Guarantee Scheme Directive before June 2013, ensuring a fair balance between home and host countries. The Commission intends to submit by summer 2013 a legislative proposal on a Single Resolution Mechanism for countries participating in the SSM, to be examined as a matter of priority with the intention of adopting it during the current parliamentary cycle. It should ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises, be based on contributions from the financial sector itself and include appropriate and effective backstop arrangements, in line with its conclusions of December 2012. The integrity of the Single Market will be fully respected and a level playing field will be ensured between Member States which take part in the SSM and those which do not.
III. COMPLETING THE ECONOMIC AND MONETARY UNION

12. Since the presentation last December of the report "Towards a genuine EMU" work has been advancing on the four key building blocks to strengthen the architecture of the EMU. Concrete new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger democratic legitimacy and accountability at the level at which decisions are taken and implemented. This process will build on the EU's institutional framework, in full respect of the integrity of the single market, while ensuring a level playing field between EU Member States, including via a fair balance between home and host Member States. It will be open and transparent towards Member States not using the single currency.

13. In the short run, the key priority is to complete the Banking Union in line with the European Council conclusions of December 2012 and March 2013. This is key to ensuring financial stability, reducing financial fragmentation and restoring normal lending to the economy. The European Council recalled that it is imperative to break the vicious circle between banks and sovereigns and underlined the following points:

(a) the new rules on capital requirements for banks (CRR/CRD) and the new Single Supervisory Mechanism (SSM) will have a key role in ensuring the stability of the banking sector;

(b) in the transition towards the SSM, a balance sheet assessment will be conducted, comprising an asset quality review and subsequently a stress test. In this context, Member States taking part in the SSM will make all appropriate arrangements, including the establishment of national backstops, ahead of the completion of this exercise;

(c) the Eurogroup has agreed on the main features of the operational framework for direct bank recapitalisation by the European Stability Mechanism (ESM). Work should continue so that, when an effective single supervisory mechanism is established, the European Stability Mechanism will, following a regular decision, have the possibility to recapitalise banks directly;
(d) the European Council welcomed the agreement reached in Council on the draft directive establishing a framework for the recovery and resolution of banks and invited the Council and Parliament to start negotiations with the aim of adopting the directive before the end of the year. It also called for the adoption before the end of the year of the proposal for a Deposit Guarantee Scheme;

(e) a fully effective SSM requires a Single Resolution Mechanism (SRM) for banks covered by the SSM. The European Council looks forward to the Commission’s proposal establishing an SRM with a view to reaching agreement in the Council by the end of the year so that it can be adopted before the end of the current parliamentary term. The Commission intends to adopt revised state aid rules for the financial sector in the summer of 2013 with a view to ensuring a level playing-field in resolution decisions involving public support.
Banking Union

41. The European Council has been actively steering the process of establishing the Banking Union. It welcomes the final adoption by the Council of the Single Supervisory Mechanism and the European Banking Authority (EBA) Amending Regulations. This represents a decisive step towards the Banking Union. The European Council reiterates the principle of non-discrimination of Member States regarding banking supervision and resolution as stated by the European Council in October 2012 and reconfirms the agreed new voting arrangements in the EBA regulation for these matters, which is reflecting an appropriate balance between the participating and non-participating Member States. The European Council also reconfirms its agreement that the review on the operation of the voting arrangements will take place from the date on which the number of non-participating Member States reaches four.

42. The Single Supervisory Mechanism is the first step towards the Banking Union. In November, the European Central Bank will launch a comprehensive assessment of the credit institutions of the Member States participating in the Single Supervisory Mechanism in line with the Regulation conferring specific tasks on the European Central Bank. This will be followed by a stress test of banks across the EU. The European Council considers that this exercise is key to reinforce confidence in the EU banking sector and to restore normal lending conditions to firms and households. The European Council expects full support and cooperation by the national authorities to ensure complete transparency and a rigorous approach, which is key for the credibility of the exercise.
43. In this context, the European Council recalls the urgency, for the Member States taking part in the Single Supervisory Mechanism, of establishing a coordinated European approach in preparation for the comprehensive assessment of credit institutions by the European Central Bank. Member States should make all appropriate arrangements, including national backstops, applying state aid rules. European instruments are available according to their agreed rules. The European Council asks the Council to develop this approach as a matter of urgency and to communicate it by the end of November, in line with the goal that the European Central Bank completes the comprehensive assessment of credit institutions in a timely manner.

It also calls on the Eurogroup to finalise guidelines for European Stability Mechanism direct recapitalisation so that the European Stability Mechanism can have the possibility to recapitalise banks directly, following the establishment of the Single Supervisory Mechanism.

44. Completing the Banking Union is urgent and requires not only a Single Supervisory Mechanism but also a Single Resolution Mechanism. The European Council calls on the legislators to adopt the Bank Recovery and Resolution Directive and the Deposit Guarantee Directive by the end of the year. The European Council underlines the need to align the Single Resolution Mechanism and the Bank Recovery and Resolution Directive as finally adopted. It also underlines the commitment to reach a general approach by the Council on the Commission's proposal for a Single Resolution Mechanism by the end of the year in order to allow for its adoption before the end of the current legislative period.
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(extract p. 16 - EUCO 217/13)

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29. The European Council welcomes the final agreement reached by the legislators on the Deposit Guarantee Scheme directive and the Bank Recovery and Resolution Directive. It also welcomes the general approach and the specific conclusions reached by the Council on the Single Resolution Mechanism (SRM). Alongside the already adopted Single Supervisory Mechanism, the SRM will represent a crucial step towards the completion of the Banking Union. The European Council calls on the legislators to adopt the SRM before the end of the current legislative period.

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(extract p.3 - EUCO 7/14)

3. The European Council congratulates the negotiators of the European Parliament and the Council on the agreement reached on the Single Resolution Mechanism Regulation. As was underlined at today’s exchange of views between the President of the European Parliament and the European Council, this is a major achievement that will open the way to the completion of the Banking Union. It is important now to formally adopt the Regulation before the end of the current legislature. Together with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund, this represents another crucial step towards a stronger and more resilient Economic and Monetary Union.